

**Friday June 7, 2002**  
*There You Have It*

We got the gap down open as evidenced by the futures last evening while writing the nightly comments.

Wanted to get a quick overview together of the charts and how the scenario laid out last night played out. Below is the 240 minute chart I chose to put together a strategy for this morning. Still in it's same spot on my worksheet just the way it was last night but with today's data on it.

**240 Minute Chart**



Recall that we were going to look to the lower channel line for some clues. Well the open took us down to a point very near our channel line before finding some bidders and never revisited the lows again all day. Pretty much a steady methodical climb for most of the remaining trading hours. There was a modest improvement in the more sensitive stochastic setting in that the fast line (blue) did start flattening out and actually curling up some. It is difficult to see it on this little chart so best if you pull up your own chart to have a look, easier on the eyes. The slower stochastic reading actually just drifted along in it's ever so slight upward direction. The MACD fast line too began flattening out some. So, all things considered today's action did provide a slight improvement in this chart.

Last night when I put together this chart I was wondering if any of you might tinker around with it, look at a few different time frames and perhaps seek out whether or not it might fit other time intervals. I am sure several of you did, time permitting. For those who were pressed for time the next chart is the origin of the 240 min. chart. It is a weekly chart with a channel drawn and then the Interval was dropped to 240 minutes. As a matter of fact if you take the time out to duplicate it on a weekly chart, drop the interval down to daily then 240 min. then 120 min. and you will be zooming in a little more each time for a clearer picture at each interval. Have a go at it. Anyway, here it is.

## OEX Weekly Chart



## OEX Daily Chart



Look familiar. Our weekly chart with the center band we've been talking about. I drew secondary channel reflecting a current trend as opposed to the much longer trend with our center band on it. This is how I arrived at what I felt was a reasonable level to look to for first line of defense in the event of a sell off this morning.

I'm going to go ahead and scale it down to daily for the fun of it so you can see how it fits.

Those two black lines are our mid channel lines from the very big picture and the current shorter term channel (red). By scaling down a notch we can hone in on the objectives much clearer than on the weekly. And one more time down to 240 min..

## OEX 240 Minute Chart



Now we can really pay close attention to where the price action is in relation to our points of interest. You could continue scaling it down in time if you desire. This is exactly the same chart I started this article with except for the fact the mid band line is now on it and the lower line of the current channel is red instead of green.

And low and behold the lower channel line we were looking to for first support on this mornings sell off held.

Who still has the bottom line of the flat bottom wedge we worked on early in the week.

## OEX 30 Minute Chart



Notice how many times it came into play throughout the week. We broke down Thursday and the late day push took us right back up to it before stalling. Look where the highs on Friday took us. Also, notice our Long term mid channel line coming into play. Additionally, remember there is a major Fib retracement in this area as well. So we have a pretty major confluence of technical events converging in the same

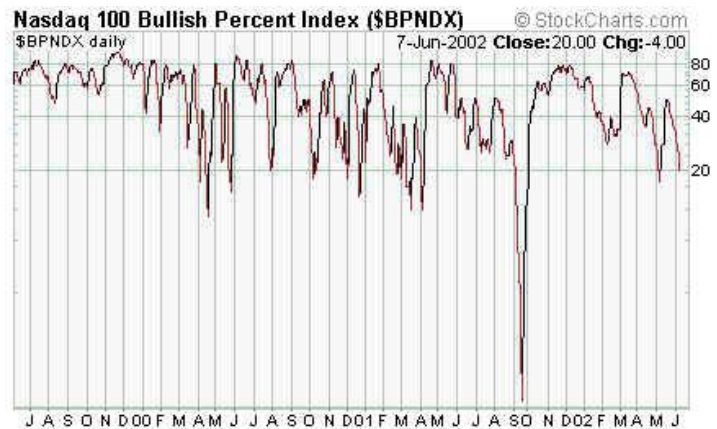
general area. Lots of reasons to keep the old magnifying glass focused here.

I want to quickly get to one more tool that I use and I know others in the room do as well. It is derived from what is called a Point & Figure chart. Now I don't spend a whole lot of time basing my trades on PNF charts, but there is one aspect of them I do pay attention to. It is called the Bullish Percent. The general idea is that at any given point in time a certain percentage of the stocks in an index will have bullish PNF chart readings. That is about as far as I am going to go into the details of this. Stockcharts offers a free service where you can go read up on it as well as review this chart and others.

When an index reaches a high Bullish Percent, meaning a large percentage of the stocks in that index are currently trading under bullish PNF signals, it is time to wave the yellow flag and conversely on low Bullish Percent readings. I am putting up a 3 year chart on the OEX to give you a broader look.

In the past 3 years I can count 5 readings at the 70% or above level. You have a look at your charts and satisfy yourselves as to the ensuing markets reaction subsequent to each occurrence.

I don't have the time to go any further than this right now. Several folks in the room have mentioned these charts in the past so speak up and let's talk about it some together.



Study your charts and correlate where the indexes put in solid bottoms and what the readings were on the Bullish Percent Charts.

Where do we go from here? Well, you all now know what I look for. That is not to say my way is by any means the best way. It just happens to be what is comfortable for me. If I were doing my weekend homework, I would first put up

the weekly and daily charts side by side on each index. Look at your signals that you use. Seek out channels, support and resistance levels, fib retracements or anything else that is relevant to your style of trading. I would then put up my 30/60 minute charts to fine tune the bigger picture one more notch down.

There are so many great traders lurking around and a common thread you will find in all of them is that they put in the time required to be prepared each and every day. While there are the fortunate few who can simply grab a cup of java, turn on their machines and begin printing money, that is in my opinion the exception rather than the rule.

The Kingdom is loaded with great traders. All of you should sit down and scratch out some evening notes to forward on for the benefit of us masses. Don't be concerned what the heck it looks like, it is your thoughts that count. In so doing my bet is you will find that not only will the rest of us be better off for it, BUT, you yourself will suddenly realize how much more in sync you become with the vehicle you trade. Seize the opportunity to share and give some back. As our numbers continue to dwindle in this business whilst these markets grind away, and I firmly believe they will continue to do so for some time to come, why not open up your mind for all of us to have a peek at. I know there is no other profession I would rather pursue at this point in my life. By so sharing you will contribute to the

survival of us all, new and old traders alike. Whether you have been at this a day or 100 years, you have something valuable tucked away that we could all utilize in our trading. So young and old alike, roll up your sleeves and get on with it.

Enough said and here's to an archive full of evening thoughts to be shared by all.

Good luck and good fortunes,

Cantro